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CORPORATE PARTICIPANTS

Chris Mammone *Green Dot Corp - VP, IR*

PRESENTATION

Unidentified Participant

So, why don't we go ahead with the final presentation of today? We're happy to have Green Dot back once again. Chris Mammone, the Head of IR is here with us and, again, has been at several of these conferences.

So, we appreciate, Chris, you coming back again. Obviously, for the audience in the room, most people know Green Dot. I think it may be helpful, Chris, just to get a strategic update, kind of how you guys are thinking about the world. There's obviously been a lot of transition in the prepaid space and for you guys in particular over the last couple years. So, why don't you start with just giving a couple-minute update on where you guys are?

Chris Mammone - *Green Dot Corp - VP, IR*

Sure. Sure. Thanks, Jeff, and thanks, everybody. Yes, I do see some new faces in the crowd. So, why don't I just spend a couple minutes just to give a high-level overview of who Green Dot is? And I'll -- maybe I'll start with our mission and our vision.

So, the mission of the Company is to reinvent personal banking for the masses. And we define the masses as anybody in the country making \$75,000 a year or less in annual income. And that could be anybody that you might see the FDIC define as the unbanked or the underbanked or if there's another large swath of the population that we would term unhappily banked or new to banking.

It's about 160 million people in the country that we view as our target market that we consider the masses that our products and services are tailor made to. So, the vision of the company is, by offering modern, honest, and fair-banking solutions to the masses, we believe we can become one of the most widely used banks in America.

So, to that point, we're really the only bank out of around 14,000 institutions in the United States that's solely focused on serving low- and moderate-income consumers with our products and services, so pretty uniquely positioned.

We're also the premier nationally known and trusted brand name in the prepaid space, having invented the industry 15 years ago. We own the number one cash reload network, serving over 150 prepaid programs at last check.

We're a leading [thin tech] company with the best mobile banking app in the industry, that being GoBank. And we own a number of key mobile patents.

We're a top 20 debit card issuer, which I don't think a lot of people realize, in the United States, largely on the strength of our prepaid portfolio.

We possess rich data on about 25 million current and past customers, built up, again, over the past 15 years. We possess a map of distribution at 92,000-plus retail locations in every corner of the country. And we have a very strong financial position as of June 30th, 2014, very strong balance sheet with \$204 million of unencumbered cash and no debt. And we aim to use that cash for accretive purposes.

So, why don't I stop there and -- ?



Unidentified Participant

-- Yes, no, great overview. Thanks, Chris. So, obviously, I remember it was 2010 you guys went public. [Hire One] went public. NetSpend went public. And each kind of had their unique story. And then I think, since then, obviously, TSYS bought NetSpend. Hire One spoke earlier at the conference. And you guys have kind of metamorphosed where now you own your own bank and control your own destiny in that regard.

Where are we in the prepaid market now? There's still, we understand, a large addressable universe out there. But, it seems like the prepaid market has shifted as far as regulatory environment, some new players. Some other people have exited. What's your view on kind of where we are?

Chris Mammone - Green Dot Corp - VP, IR

There was certainly a lot of exuberance back in 2010 with all the IPOs that happened. And perhaps growth expectations out of the gates got a little out of hand. But, we still firmly believe it's the double-digit growth industry. And I think TSYS on their last earnings call had that same question. And they concurred that they firmly believed for the foreseeable future that prepaid is a double-digit industry.

You've seen some consolidation. A lot of the celebrity brands would've been introduced over the past several years have folded up shop, Suze Orman and Magic Johnson being among the latest list of casualties. The industry still gets a bad rap for the Kardashian card, which I think sold like nine cards in total.

Unidentified Participant

That's right.

Chris Mammone - Green Dot Corp - VP, IR

But, we keep seeing press releases about it. So, in a way, prepaid has had because of some of those instances a negative thing attached to it. But, it's an essential product and category for a large swath of the population that is in need for basic financial services that don't screw them over, that don't have hidden fees, don't have unclear terms and conditions.

And I think that's really what has helped the Green Dot brand thrive over the years is a long history of not screwing over the consumer. Frankly, we do exit interviews all the time with our customers. And one of the key pieces of feedback that we get over and over is: I love Green Dot because I can't get in trouble with it.

So, we've built our foundation on just very basic easy-to-understand terms and conditions, nothing hidden, no overdraft fees ever. And our customers have really appreciated that.

Unidentified Participant

Yes, it's clear that the brand is acknowledged in the space, and the money package is universally known. What do you think are some of the other key attributes or differentiators that Green Dot has now that really is kind of setting you apart in the market?

Chris Mammone - Green Dot Corp - VP, IR

Yes, so, I think brand is a great place to start. I think we have the -- I think we have the only nationally recognized brand in the space. It's really become iconic in the prepaid space, the Green Dot brand, and consumers ask for it by name.

And if you're -- I think Blackhawk was another presenter. If you're a value-added reseller, like a Blackhawk, that sells a lot of different prepaid cards on the shelf from reloadable, nonreloadable, closed loop, open loop, everything pretty much under the sun, Green Dot is a featured product in that category or on that rack because, again, customers ask for it by name.

So, brand is certainly one distinction that sets us apart. The bank is another one. We are a vertically integrated player. All the cards that we sell at our -- through our retail distribution are issued by Green Dot Bank. We completed a big migration in February of this year where we took over the Walmart money card portfolio from -- it had been issued out of GE Capital.

And so, now, the 4.7 million active customers that we report on annual basis, that -- those are all cards issued at Green Dot Bank, big distinction. And that helps us with product innovation. It helps us with regulatory oversight. It helps us financially. It's an expense savings dynamic for us as well. It's sort of a fixed cost base to run (inaudible) out of our bank as opposed to paying a third party what amounts to variable fees based on cards outstanding.

So, the bank itself has many advantages. The reload network is another important distinction that I don't think is fully appreciated by the market. We are the -- we're really the killer app for prepaid card reloading. That is the Green Dot network that's connected to all 92,000 retailers that we sell our cards at.

Not only does it reload Green Dot branded products, but it reloads for virtually the entire industry. And it's a key technology between what Walmart calls the rapid-reload network in their stores that allows for immediate swipe based reloads of any type of prepaid card.

And then I mentioned our balance sheet in my opening remarks. We would consider that a competitive strength, as well, again, \$204 million of unencumbered cash at the end of June 30th, and no debt. And I think that -- those are the main points.

Unidentified Participant

Yes. And so, we talked about TSYS and NetSpend earlier. There's obviously other people, like Serve, that have entered the space. What is your assessment of kind of the competitive landscape? Obviously, there's been some regulatory shakedown and celebrity shakeout. But, have you seen any different behavior on some of the strong competitors recently?

Chris Mammone - Green Dot Corp - VP, IR

Yes, and I think the entrance of a player like AmEx underscores the attractiveness of the market, right, the fact that it is viewed as a big growth market for the long term that a company like AmEx would go so aggressively after the opportunity. And they've done a great job, not only with Serve on the prepaid side but Bluebird on the alternative checking account side. And they've gotten great distribution for those products. Clearly, Walmart sells both brands now. Many of our other retailers also sell Serve. CVS and Walgreens I believe are two of the notable ones.

So, they're going to continue to, we think, push hard at the opportunity. Their public comments when asked about it certainly seem to underscore that point. And the banks, a lot of the big banks have gotten into the space over the years. Chase was the -- probably the most high-profile entrant, was liquid a couple years ago. And it seems to have -- they seem to have come off of their aggressive push on liquid.

But, it's certainly -- we view it as a very dynamically competitive space. And despite the casualties that we talked about earlier, it'll continue to be so. And AmEx is still investing a lot of money in the opportunity.

Unidentified Participant

Sure. Sure. So, as you think about kind of partners in the space, I'd obviously be remiss if we didn't talk about Walmart for a second. But, I think, again, going back to that 2010 framework, it seemed like everyone fit in their nice category. You guys were retail and consumer and convenience. NetSpend was check cashing. Now, it seems like more of a free for all and open season.



So, maybe first part of the question, status of Walmart, how are things going there? Obviously, they have -- you have competing products in there now. And then second of all, what about some of the new channels that you guys have entered into?

Chris Mammone - *Green Dot Corp - VP, IR*

Sure. Yes, so, Walmart is a great partner. And they're our most important partner. For example, in the second quarter, products sold at Walmart made up 55% of our revenues. So, they're just -- they're an unparalleled channel for selling these products and services. And we work hard for their business every day. We never take it for granted that we are Walmart's partner in the prepaid space.

So, we have a contract that's up for renewal at -- next May, May of 2015. And so, we'll see what happens. But, again, we work hard for their business every day. There has been a blurring of the lines as far as where -- I'll just take us and NetSpend, how we sort of grew up, us in traditional retail and NetSpend in alternative financial services. NetSpend started to get into traditional retailers a few years ago with NetSpend brand of products, their PayPal partnership.

And in turn, we last year started to pursue the check cashing vertical, which we're calling the FSC channel. And we've seen some really good receptivity to the Green Dot brand in check cashers. As of the second quarter, we announced that we're now in 1,500 locations nationwide with our products and services. And it's a great channel. It's obviously a proven channel because NetSpend -- .

Unidentified Participant

-- Sure -- .

Chris Mammone - *Green Dot Corp - VP, IR*

-- Over the years. And it's -- I'd say it's not as productive as, say, a Walmart, but nothing really is. But, it is proving at least at these early stages to be more productive than your average retailer. And I think it's because the check casher has a very intimate relationship with their customer. And it's a long-term relationship as well. And -- but, the products that are recommended by the check casher are often bought by the consumers there in that space.

Unidentified Participant

Sure. Chris, can you talk a little bit about GoBank because, again, I'm not sure all the investors appreciate just how much investment you guys have put into that and what, apart from the Green Dot brand that is getting and obviously from a mobile application and other products. Just can you give an overview on kind of what you guys are doing there and what's the go-forward strategy?

Chris Mammone - *Green Dot Corp - VP, IR*

Sure. Green Dot grew up with prepaid. And that's sort of been our flagship product. And it's been great. And it continues to grow. But, I think we recognize that -- again, I go back to the 160 million opportunity in the country that we're pursuing.

And prepaid does a great job at targeting segments and pockets of that opportunity, particularly the unbanked, the underbanked. But, again, there are tens of millions of people in the country that are what we would term unhappily banked that are -- that have a bank account, have a banking relationship today, but they're just not well served by that bank.

They get hit with overdraft fees. They get hit with minimum balance fees. And they'd love to switch banks. But, in their minds, there's really no other alternative out there because the bank across the street has the same policies by and large.

So, with GoBank, we are entering the market with more traditional checking accounts. That's how GoBank is marketed. And it is really designed to be that low-cost alternative to someone that is seeking a better experience with a basic bank account. And it has all the features that you would expect from a 21st century bank account from MRDC to intuitive P2P to good transaction detail tracking and everything that you could imagine.

And you can do -- you can really manage most of -- you need to from the account from the palm of your hand and with the app that accompanies it.

So, it's just getting started. We actually shared some good stats on the last call that indicated that, while the overall portfolio's still small in the overall scheme of Green Dot, that we're seeing some really encouraging trends that tell us that this is an account that's appealing to millennials. Over half of our accounts are people that are under 34 years old. It's an account that is behaving like a traditional checking account would as far as retention.

Again, it would be -- the program is -- the platform is only a year-plus old. But, the signs are that people are retaining this account like they would a checking account, which I think in the industry average is closer to three years.

Unidentified Participant

Sure.

Chris Mammone - Green Dot Corp - VP, IR

So, I feel like we hit the mark there. And we're just seeing really good second deposit trends and per-month transaction trends and things like that that really make us, again, confident that we have the right product at the right time. And now, it's just about building scale and getting out there in a big way.

So, we did mention on our last conference call that we're running a small pilot today. It's a (inaudible) with a productized version of GoBank. So, we'll see how that goes.

Unidentified Participant

Good. Good. And obviously, again, a big theme over the years in prepaid has been this kind of control your own destiny with a bank sponsor. So, obviously, various people have had issues with bank sponsors. You guys went all in and got your own charter here, which is positive because, going forward now, you can control your own destiny.

Obviously, there's been an infrastructure build over time as far as costs and compliance and adding functionality and people. Can you talk a little bit about that transition and where you are from an infrastructure on that banking side?

Chris Mammone - Green Dot Corp - VP, IR

Sure. Yes, like I said, we feel like we've put together a lot of the pieces that make up the vertically integrated player today. So, we're starting to see the benefits, the cost benefits of that. So, for example, now that all of our cards are issued out of Green Dot Bank as opposed to relying on third parties, we saw a really good -- we've been seeing really good year-over-year improvements in our processing expenses line.

I don't know if you saw -- .



Unidentified Participant

-- Yes -- .

Chris Mammone - *Green Dot Corp - VP, IR*

-- Our results. A lot of that's driven by the fact that, again, we're now issuing out of our own bank and not having to pay per-account fees to third parties.

There's more to come. We're still investing in processing capabilities that hopefully will lead to more savings down the road. We're investing in -- we've invested in our risk division. So, it's helped with improving onboarding rates, cutting down on false positives and cutting down on our fraud-related losses. So, that's been a great expense savings from investments that we've made.

We've seen savings on the merchandizing side, just looking across our distribution. We're now selling our cards in 92,000 retailers across the country. Clearly, not all retailers are created equal as far as sales volumes per store. So, we're making sure that we're investing in the retailers that sell more, that are more prone to be out of stock than other retailers that are more prone to always be in stock.

Unidentified Participant

Sure.

Chris Mammone - *Green Dot Corp - VP, IR*

Just do smarter merchandizing in those ways. And then on the technology side, we've made a lot of strides. We opened up a Shanghai facility last year. We're doing a lot more development work out of Shanghai and seeing great output offshore at fractions of a cost. So, it's really in many areas of the organization sort of coming together and helping drive better profitability.

Unidentified Participant

That's great. That's great. So, obviously, the cost side's coming together. Talk a little bit about the drivers on the revenue side as far as what needs to fall in place or what you're expecting to kind of deliver double-digit growth over the next near-term period.

Chris Mammone - *Green Dot Corp - VP, IR*

Sure. So, last year, we added a lot of new distribution. So, I think, in any given year, we might add 1,000, a couple thousand new distribution points.

Unidentified Participant

Sure.

Chris Mammone - *Green Dot Corp - VP, IR*

Last year, it was 10X that. We added 27,000 new retailers. In fact, we talked a lot about that rollout last year at this conference. We entered the Dollar Store vertical for the first time, so [filling] all the major Dollar Store chains. We entered Home Depot and some other retailers that -- name brand, sort of well-known household names.

And we're seeing really good initial sales results out of those retailers. But, just given the portfolio nature of our business, it takes time for revenues to build as you -- as those new cohorts mature, right?

Unidentified Participant

Sure.

Chris Mammone - *Green Dot Corp - VP, IR*

So, we are -- we're at the early stages, and the funnel and the trajectory is playing out as we would expect. But, it's just going to take a few more quarters for those new cohorts to season to lead to the double-digit revenue growth that we talk about.

But, it's -- everything seems to be on track as to sort of how the model was supposed to be laid out. And you've seen actually the trajectory in our active cards grow and accelerate now for five straight quarters. So, that at a base level, that tells you that the model's working as it's supposed to work.

Unidentified Participant

Good. So, some of the themes that we've picked up today on in the conference were EMV, obviously Apple with their announcement, the move to digital. Obviously, at any point, Visa can do what they want and around branding, and they've done some stuff in the prepaid space as far as standards.

What on the kind of worrying or threat side or on the horizon kind of worries you as you think about the business going forward?

Chris Mammone - *Green Dot Corp - VP, IR*

For us, I think we have to continue to serve our partners well just to -- blocking and tackling. I'm not trying to be glib, but it's just -- .

Unidentified Participant

-- Sure -- .

Chris Mammone - *Green Dot Corp - VP, IR*

-- Sort of like we want to make sure that, like, our partners are happy with our service levels, that we're always in stock, that we're selling well. I think that, as far as Apple [and sort of] EMV, we're just -- we're sort of taking a wait-and-see approach to see how that all develops.

Unidentified Participant

Sure.

Chris Mammone - *Green Dot Corp - VP, IR*

And we'll respond and when the time is appropriate I guess.



Unidentified Participant

Right. And then Visa came out trying to I think raise some standards around transparency and fee disclosure, which I think you guys were already kind of there on. But, you think that impacts kind of the industry, or is there anything on the regulatory front that kind of helps to continue the shakeout that we've seen?

Chris Mammone - Green Dot Corp - VP, IR

So, I think the -- on -- when it comes to the regulatory front, a lot of focus is on the CFPB. They've been pretty transparent. But, they're reviewing the GPR space. And they've indicated that a couple of the areas that they're probably more focused on as far as fair disclosure, standardized disclosures among different program managers, making sure prepaid programs have the types of consumer protections that other -- that the regular bank accounts might have, like Reg E, the ability to dispute charges and have provisional credits as your institution investigates the matter.

They haven't said much about fees except for when it comes to overdraft fees. They have seemed to indicate that they would be at odds with prepaid programs charging overdraft fees. So, that's all [still on the come]. The industry's still waiting for what's called a notice of proposed rulemaking, too, to come out, which I think will be out before the end of the year, last we'd all checked.

And then I think the industry will have some time to -- there'll be a public comment period and for the industry to respond. And then I'm sure there'll be some implementation phase for the industry to come in line with whatever standards the CFPB finalizes.

So, I think, in general, we're in agreement with a lot of what the CFPB has intimated that they're focused on. And Green Dot, we view our disclosures as being best in class. We're fully invested in Reg E and FDIC coverage and things like that, just like any bank would be. And we've never charged overdraft fees. And that's totally against our DNA. So, yes, we feel like we're on the right side in general of all those areas.

And yes, Visa did announce their standards earlier in the summer on what would constitute a prepaid program that was up to snuff as far as what they laid out. And Green Dot is in alignment with what Visa laid out.

Unidentified Participant

Good. Good. Just going back to the financials, you had mentioned the kind of \$200 million of unencumbered cash. Any kind of view on the balance sheet, uses of cash, kind of strategic investing, buybacks, things like that of that nature?

Chris Mammone - Green Dot Corp - VP, IR

Yes, we discuss it all. I think very interested in strategic M&A opportunities that might arise as long as they're highly accretive. They certainly would be interested. As far as our M&A activities in the past, we've focused on building out the platform, right?

Unidentified Participant

Sure.

Chris Mammone - Green Dot Corp - VP, IR

We bought a company called Loopt in 2012, which essentially was the team that built GoBank for us on the mobile side. And it brought all that mobile app development expertise along with it. So, they still -- that's our Green Dot North Office in Silicon Valley that houses that unit.

We bought the Bank in Provo, Utah. And so, we feel like, on the platform side, we're pretty well set. So, I guess what we would look for from potential M&A opportunities would be customer verticals that would be aligned with the market we sell our products and services into.

And then share buybacks are also on the table as a possible use. But, as a bank holding company regulated by the Fed, anything that we'd want to do with our unencumbered cash would need to be fully vetted and approved by our regulators.

Unidentified Participant

Sure. Sure. And I guess, final question, and we'll open it up to the audience here, is where do you see Green Dot five years, or maybe a better way of putting it from now, are there areas on the strategic horizon whether it's, again, mobile, digital, international is something we haven't talked about that you think would be additive to the portfolio or is in the kind of strategic thought plan now?

Chris Mammone - Green Dot Corp - VP, IR

Yes, so, I think it's just continuing to build out the product set, again. Prepaid today makes up the bulk of our revenue base. GoBank is still fledgling and a very small part that we would expect to grow to be a very large contributor over time. So, I'd say, in five years' time, we'd have a -- we'd hope to have a multitude of basic financial products and services to serve into this customer base that is in high demand of those products and services. So -- .

Unidentified Participant

-- Great. With that, we have a couple minutes remaining. Any questions from the audience for Chris?

No? Okay. Well, we appreciate your coming to the conference again and having Green Dot here once again.

Chris Mammone - Green Dot Corp - VP, IR

Thanks, Jeff.

Unidentified Participant

Thanks, Chris.

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